Congress of the United States
Washington, DC 20515

February 15, 2006

The Honorable Richard Pombo
Chairman
House Committee on Resources
1324 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

We are writing to request that the Committee on Resources hold a legislative hearing on and markup of H.R. 4749, the "Royalty Relief for American Consumers Act."

We introduced this bill yesterday and it has been referred to the Committee on Resources for further action. H.R. 4749 would require the Secretary of the Interior to suspend the application of any provision of Federal law under which any person is given relief from any requirement to pay royalties for the production of oil or natural gas from Federal laws (including submerged lands). This suspension would apply for production occurring in any period after the date of enactment of the bill in which the average price of crude oil over the most recent 4 consecutive weeks was greater than $34.71 per barrel, and, in the case of natural gas, in which the average wellhead price is greater than $4.34 per thousand cubic feet.

The legislation would also direct the Secretary to seek to negotiate each existing lease authorizing production of oil or natural gas on Federal land that was issued by the Department prior to enactment of the bill, in order to modify the terms of such lease to ensure that any suspension of a requirement to pay royalties does not apply. If the oil companies refuse to renegotiate and modify the terms of existing leases, the bill also would bar them from eligibility to obtain by sale or transfer any new leases.

We have introduced this legislation in order to bring an end to the practice of allowing oil and gas companies to drill on Federal lands without paying the American people for that privilege. With oil and gas prices at the current high levels, and oil and gas companies reporting record profits for 2005, we believe that it is important for Congress to act prudently but also quickly to halt further losses to the taxpayer. According to news reports (see 'U.S. Royalty Plan to Give Windfall to Oil Companies," February 14, 2006, The New York Times, at A1) new projections by the Interior Department indicate that the Federal Government will give up $7 billion in payments between now and 2011. The companies expected to receive this Federal largess include some of the largest and most

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profitable companies in America, including ExxonMobil, Shell, BP, and Chevron. These four companies alone made nearly $100 billion in profits in 2005.

We note that the Times article quotes you as stating that, "I don't think there is a single member of Congress who thinks you should get royalty relief at $70 a barrel" for oil and that "if oil was at $10 a barrel, there should be royalty relief so companies could have some kind of incentive to invest capital. But at $70 a barrel, don't expect royalty relief."

The bill we have introduced would bar royalty relief at current price levels, allowing it only if oil prices fall to a level below $34.71 a barrel – more than 3 times higher than the $10 level you cited in the Times article. We decided to set the threshold at this level because this is the price threshold that we understand MMS is currently using to suspend royalty relief for some leases (see http://www.mms.gov/econ/DWRRAPrice1.htm). The $4.34 per thousand cubic foot threshold was chosen for the same reason.

We respectfully request that you move expeditiously to schedule a hearing and markup of this legislation so that this Congress can quickly ensure that taxpayers receive proper payment from oil and gas companies for the use of federal lands.

Thank you very much for your attention to our request.

Sincerely,

Edward J. Markey
Member of Congress

Carolyn B. Maloney
Member of Congress

George Miller
Member of Congress

Rahm Emanuel
Member of Congress

Henry A. Waxman
Member of Congress

Raul M. Grijalva
Member of Congress

Frank Pallone, Jr.
Member of Congress

Jay Inslee
Member of Congress